



Air Force Materiel Command

Developing, Fielding, and Sustaining America's Aerospace



Supplier Relationship Management (SRM)

U.S. AIR FORCE

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HQ AFMC/LGK

*I n t e g r i t y - S e r v i c e - E x c e l l e n
c e*



Overview

AFMC

- **Purchasing & Supply Chain Mgt Construct**
- **AFMC SSRM Roles and Responsibilities**
- **The SRM Six-Step Process Model**
- **Measures of Success**
- **Interaction MGB, Commodity Councils and other Stakeholders**
- **Supplier Scorecards**



PSCM Integrated Business Model

AFMC

DYNAMIC STRATEGIC PLANNING

Top-down
driven
strategy

Enterprise-wide Supply
Chain Business Rules

Balanced
Scorecard

Customer
Relationship
Management

- Integrated order fulfillment
- Customer self-service
- Proactive analytics

Integrated
Supply Chain
Planning

- Unconstrained AND constrained demand & supply plans
- Collaboration with suppliers & customers

Strategic
Purchasing

- Leveraged commodity-centric sourcing
- Ongoing structure for:
 - * market intelligence
 - * commodity strategies
 - * supplier improvement

Supplier
Relationship
Management

- Performance-based contracts
- Supplier scorecards
- Supply base development

END-TO-END SUPPLY CHAIN MANAGEMENT

Transparent
information
visibility

Inventory
Optimization

Data as a
Strategic
Resource

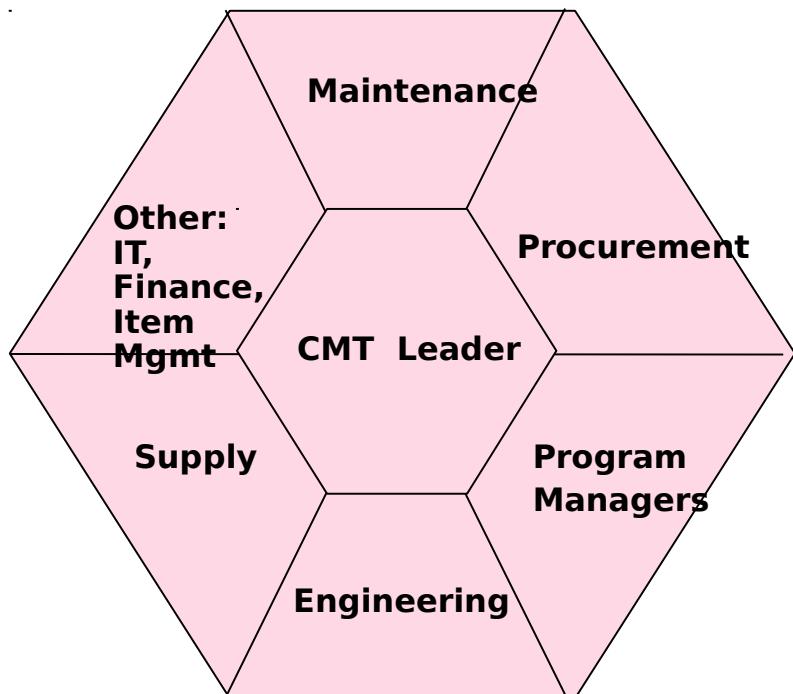
Strategically-
Focused
Workforce



Commodity Councils

AFMC

Develop and execute AF-wide commodity sourcing strategies



Responsible For:

- Developing AFMC-wide commodity sourcing strategy
- Executing commodity sourcing strategy
- Monitoring supplier performance
- Supplier development and relationship management
- Commodity market intelligence

Not Responsible For:

- Developing the demand planning forecast
- Managing customers, weapon systems or items
- Conducting tactical planning, scheduling and asset management
- Performing tactical contract management activities



Supplier Strategy versus Commodity Council Strategy



- **What is a Commodity Council Strategy?**
 - A plan designed to support a commodity centric sourcing or material strategy
- **Contents:**
 - Spend analysis and performance trends by commodity
 - Market assessment summary
 - Demand forecast analysis including budget/funding issues
 - Planned spirals with risk assessments
 - Recommended performance metrics
 - Spiral execution plan



Supplier Strategy versus Commodity Council Strategy



- **What is a Supplier Strategy?**
 - A set of planned initiatives established with our critical suppliers at the executive level designed to achieve our overarching goals
- **Contents:**
 - The overall objective stated in terms of desired results
 - A set of planned steps in order to achieve those results
 - Milestones for each step to monitor progress
 - Identification of OPRs necessary to meet the milestones
 - Planned measurements to gauge the success of the strategy



PSCM Governance Structure

AFMC

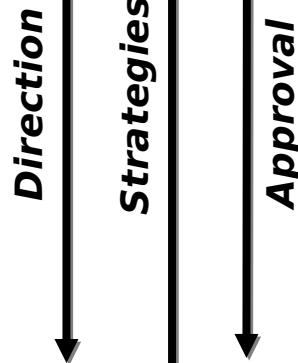
Materiel Governance Board (MGB)

- Own sourcing process for Supply Chain
- Approve overall sourcing and supply chain goals and objectives
- Evaluate ongoing commodity council performance

SSRM is part of MGB =

Strategic Supplier Relationship Manager

- Develop supplier objectives and strategies (overall framework)
- Monitor and review supplier performance at strategic level
- Collaborate with exec sponsors to determine sourcing execution responsibility

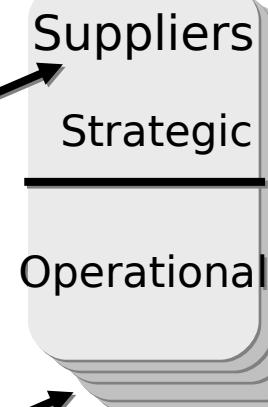


Commodity Knowledge & Supplier Performance

Supplier Knowledge

Commodity Councils (CC)

- Establish/execute AFMC-wide commodity strategies
- Capture, monitor, and distribute supplier performance for commodity
- Manage operational relationships with suppliers





AFMC SSRM Assignments



AFMC

SSRM	Supplier	SSRM	Supplier
Mr. Koenig, HQ AFMC/LG	DLA	Mr. Wells, HQ AFMC/PK	Northrop Grumman
Mr. Koenig, HQ AFMC/LG	MA	Mr. Wells, HQ AFMC/PK	Boeing
Ms. Taylor, OC-ALC/PK	Hamilton Sundstrand	Mr. Wells, HQ AFMC/PK	Raytheon
Ms. Taylor, OC-ALC/PK	Kelly Aviation Center	Mr. Blair, WR-ALC/LG	BAE Systems
Ms. Taylor, OC-ALC/PK	Chromalloy	Mr. Blair, WR-ALC/LG	Lockheed Martin
Ms. Taylor, OC-ALC/PK	Smiths Aerospace	Mr. Blair, WR-ALC/LG	Signal Technology
Ms. Taylor, OC-ALC/PK	General Electric	Mr. Blair, WR-ALC/LG	Systems & Electronic
Ms. Taylor, OC-ALC/PK	Parker Hannifin	Ms. Reeves, WR-ALC/PK	AIL Systems
Ms. Taylor, OC-ALC/PK	Pratt & Whitney	Ms. Reeves, WR-ALC/PK	L3 Communications
Ms. Taylor, OC-ALC/PK	Rolls Royce	Ms. Reeves, WR-ALC/PK	Rockwell Collins
Mr. Pauling, OO-ALC/PK	Honeywell	Ms. Reeves, WR-ALC/PK	Teledyne



SSRM Roles and Responsibilities

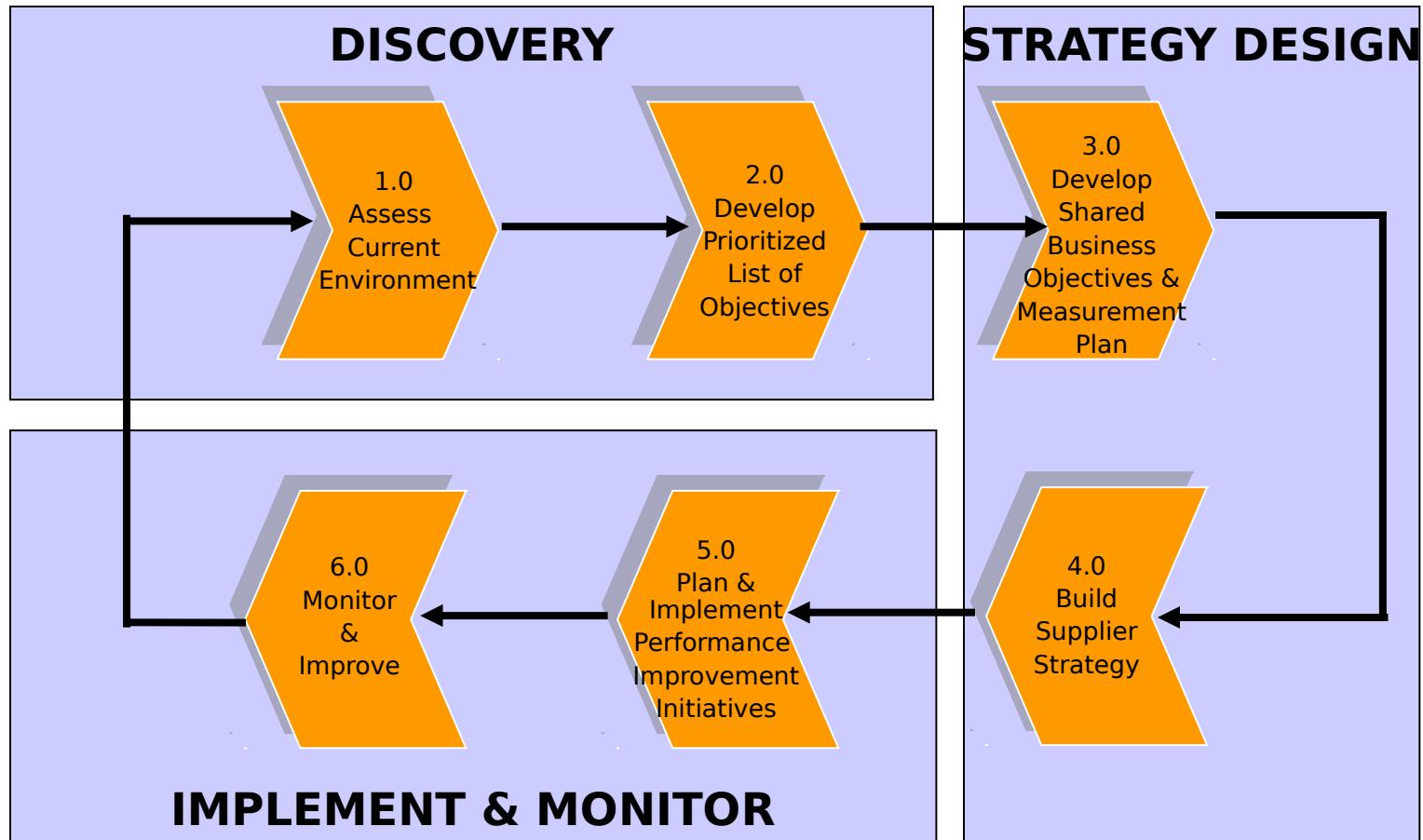
AFMC

- **Purpose:** To establish corporate level relationships and align commodity & supplier strategies in order to achieve the overarching goals of AFMC
 - Increase material availability
 - Reducing total costs
 - Reducing cycle times
- **Activities:**
 - Establish/Maintain supplier relationship at executive level
 - Monitor at the corporate level supplier strength's and weaknesses
 - Analyze supplier data to build a supplier strategy
 - Identify and monitor joint improvement initiatives with the supplier
 - Disseminate supplier intelligence to commodity councils, MGB, WS SCM and other stakeholders
 - Align/standardize initiatives across commodity councils for a single supplier
 - Brief Supplier Strategies at MGB



The SSRM Process Model

AFMC





Step 1: Assess Current Environment



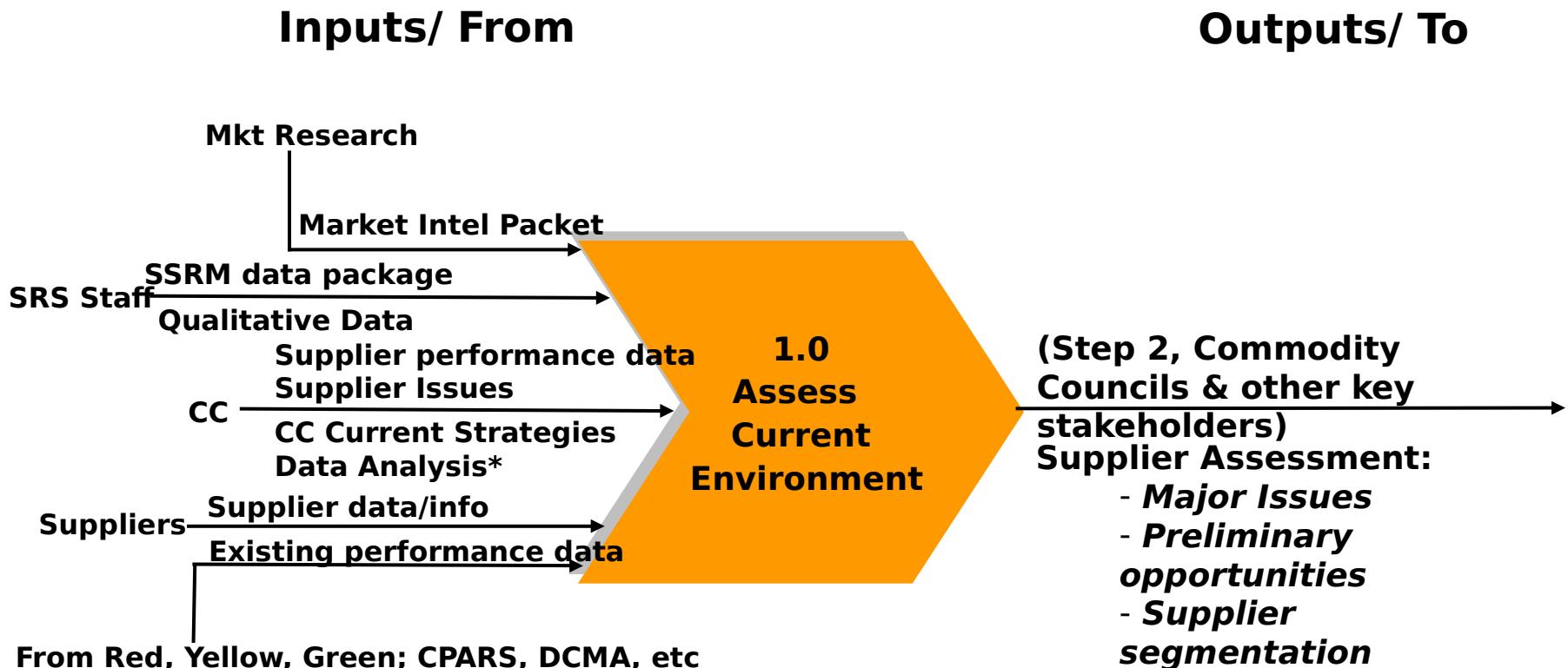
AFMC

- **Review external and internal supplier data**
 - **External: Market Intelligence**
 - Highlights relevant information such as trends, risks, spend by segment and financial stability
 - **Internal: AFMC Supplier Data**
 - spend and forecast (by council, by supplier, by CAGE, by NSN)
 - On-time delivery performance data
- **Current contract information (NSNs, Performance)**
- **Review qualitative assessment (known issues, problems, challenges and general ‘health’ of the relationship)**
- **Review performance metrics (Red/yellow/green, CPARS, Supplier scorecard, DCMA data)**



Step 1: Inputs and Outputs

AFMC



***Data Analysis:**

- Forecast data
- Spend data
- ALT/PLT data
- Delivery data
- Quality data



Step 2: Develop Prioritized List of Objectives



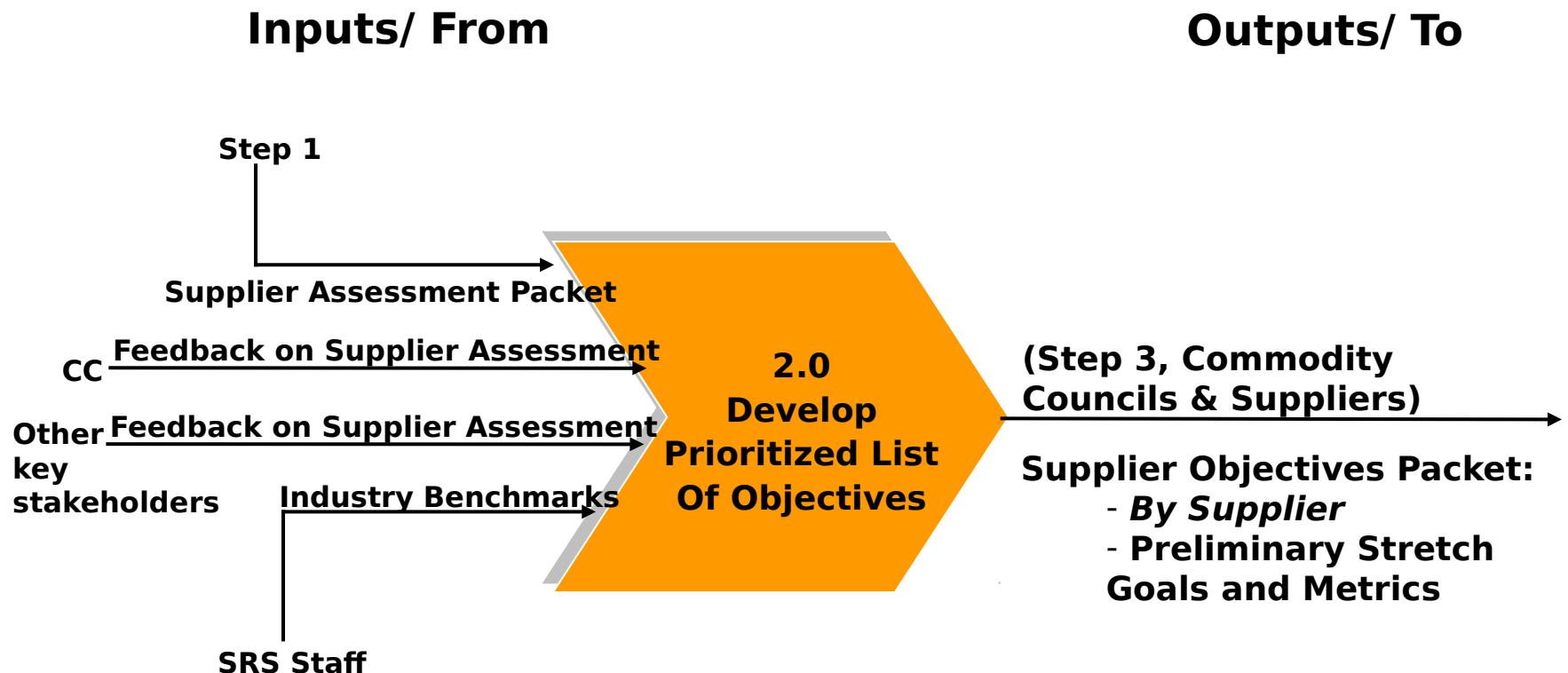
AFMC

- **Using environmental assessment, determine those performance areas that have greatest impact on meeting Air Force and AFMC goals and objectives**
- **Begin to develop initial objectives and opportunities for the selected suppliers as required**
 - Include measurements, benchmarking, supplier scorecard, and goals as part of the process.
- **Prioritize suppliers based on environmental assessment**



Step 2: Inputs and Outputs

AFMC





Step 3: Develop Shared Business Objectives & Measurement Plan

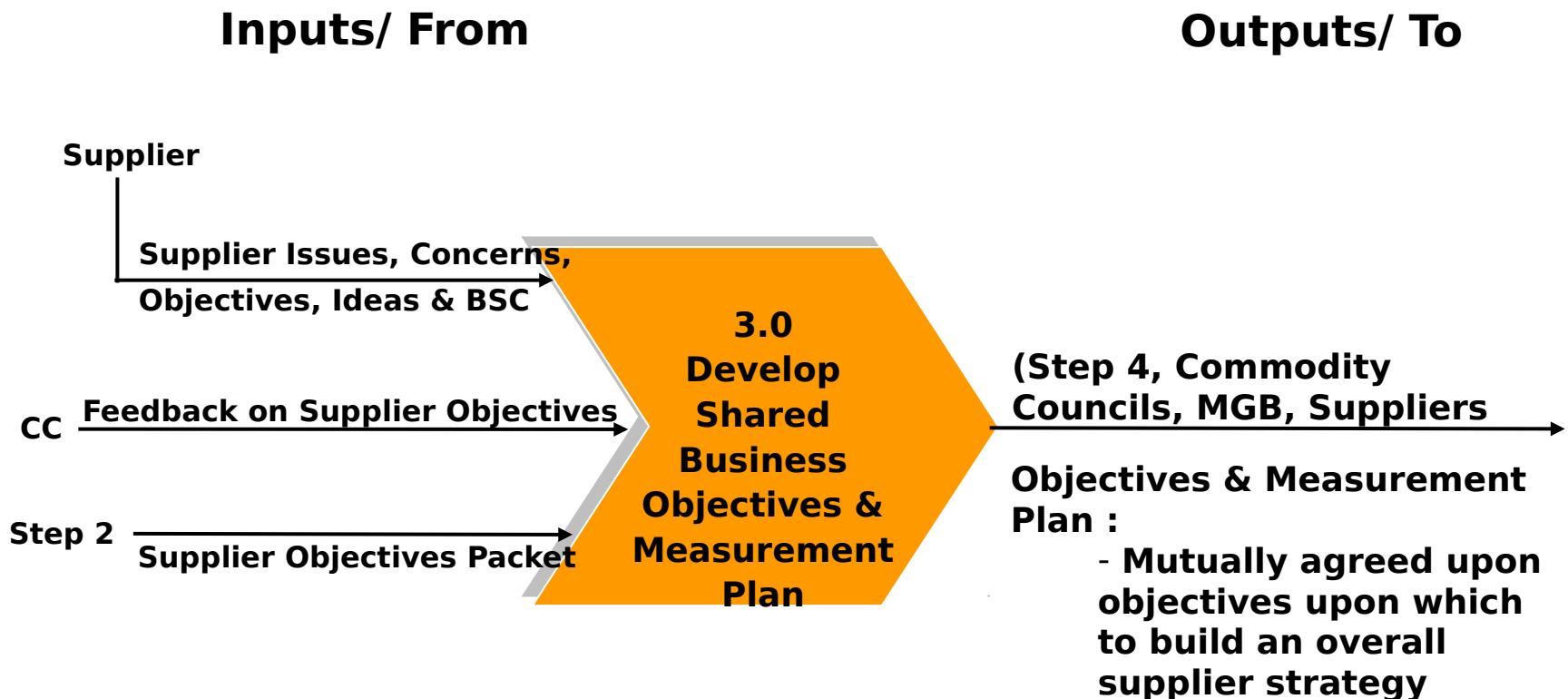


- **Present a list of objectives developed in step 2 to the supplier**
- **Review performance data (scorecard) with supplier and come to mutual agreement on performance thresholds and general timeframe to meet these thresholds**
- **Agree on set of shared objectives to be attained**



Step 3: Inputs and Outputs

AFMC





Step 4: Build Supplier Strategy

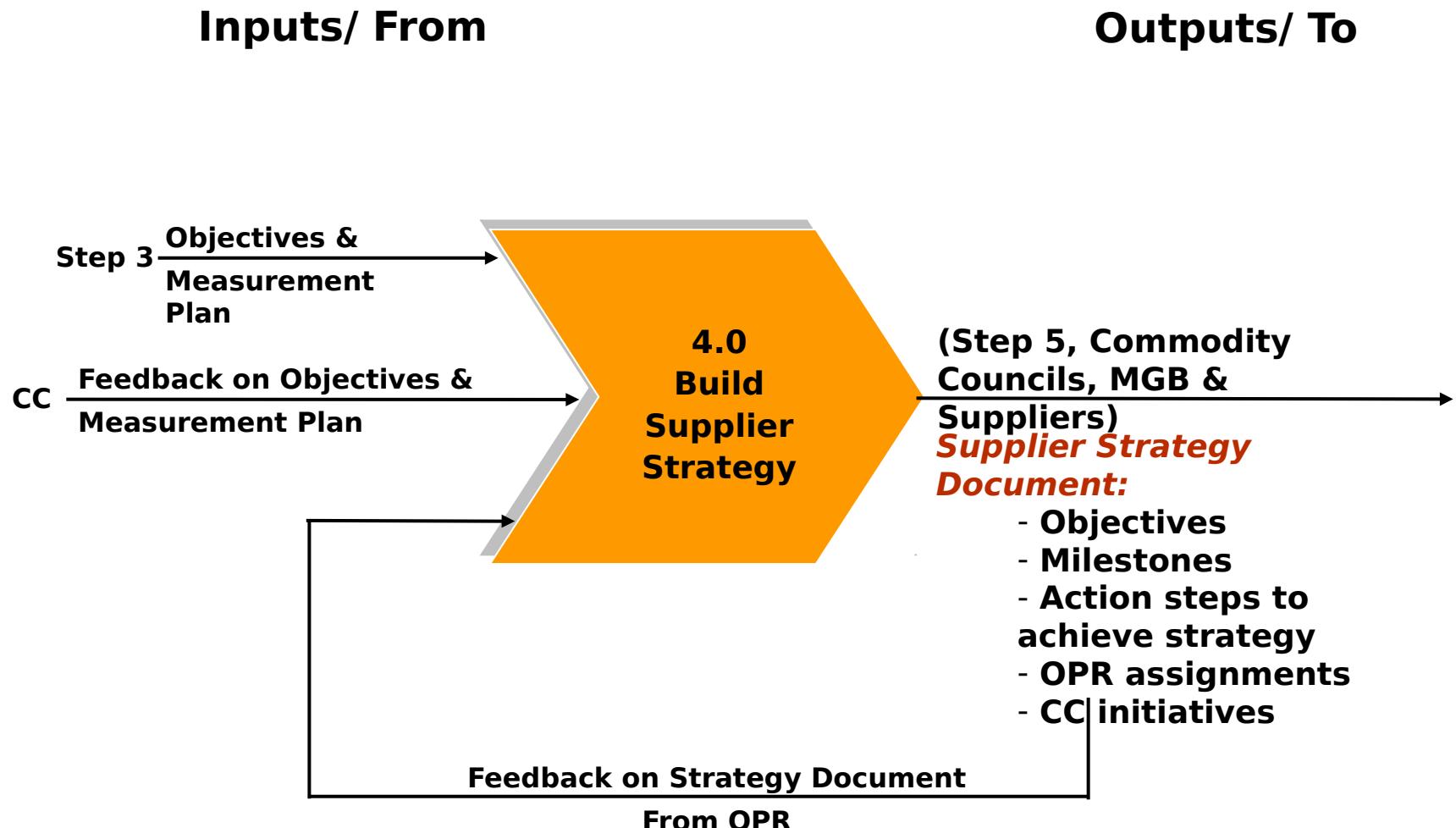
AFMC

- Identify actions that will satisfy objectives in step 3
- Lay out steps required to achieve objectives
- Establish milestones for achieving objectives
- **Construct the Supplier Strategy document**
 - Objectives & Measures
 - Needs to show value
 - Milestones
 - Major action steps
 - Who is the OPR
 - Resources/ expenditures
- **Brief the MGB on Supplier Strategy**
 - Lessons Learned (information sharing)
 - Disconnects w/ Commodity Council
 - Cross-cutting suppliers needs consensus
- **Deliver to Commodity Councils for input into CMP & CAMP, if appropriate**



Step 4: Inputs and Outputs

AFMC



*The Supplier Strategy is
Government Sensitive*



Step 5: Plan & Implement Performance Improvement Initiatives



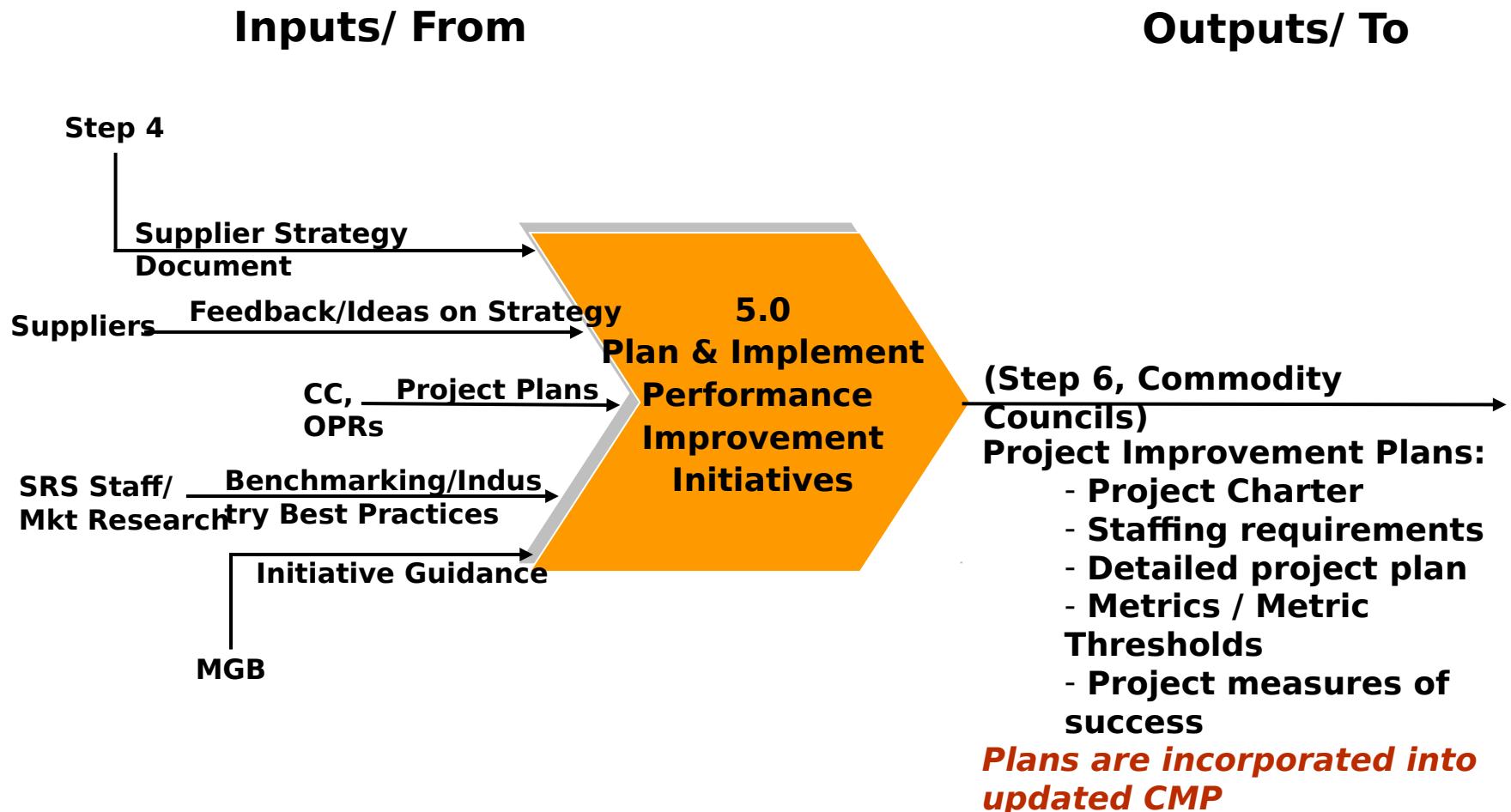
AFMC

- **Discuss ways to implement the supplier strategy with the supplier and identify improvement initiatives that will attain goals and objectives**
- **Coordinate the identified improvement initiatives with the MGB, Commodity Councils and other stakeholders**
- **Coordinate with OPRs on the creation of project plans to support the improvement initiatives**
 - Rules of engagement, roles & responsibilities
 - Cost
 - Resources
 - Time-line/ milestones
- **Direct OPRs on the implementation of improvement initiatives**



Step 5: Inputs and Outputs

AFMC





Step 6: Monitor and Improve



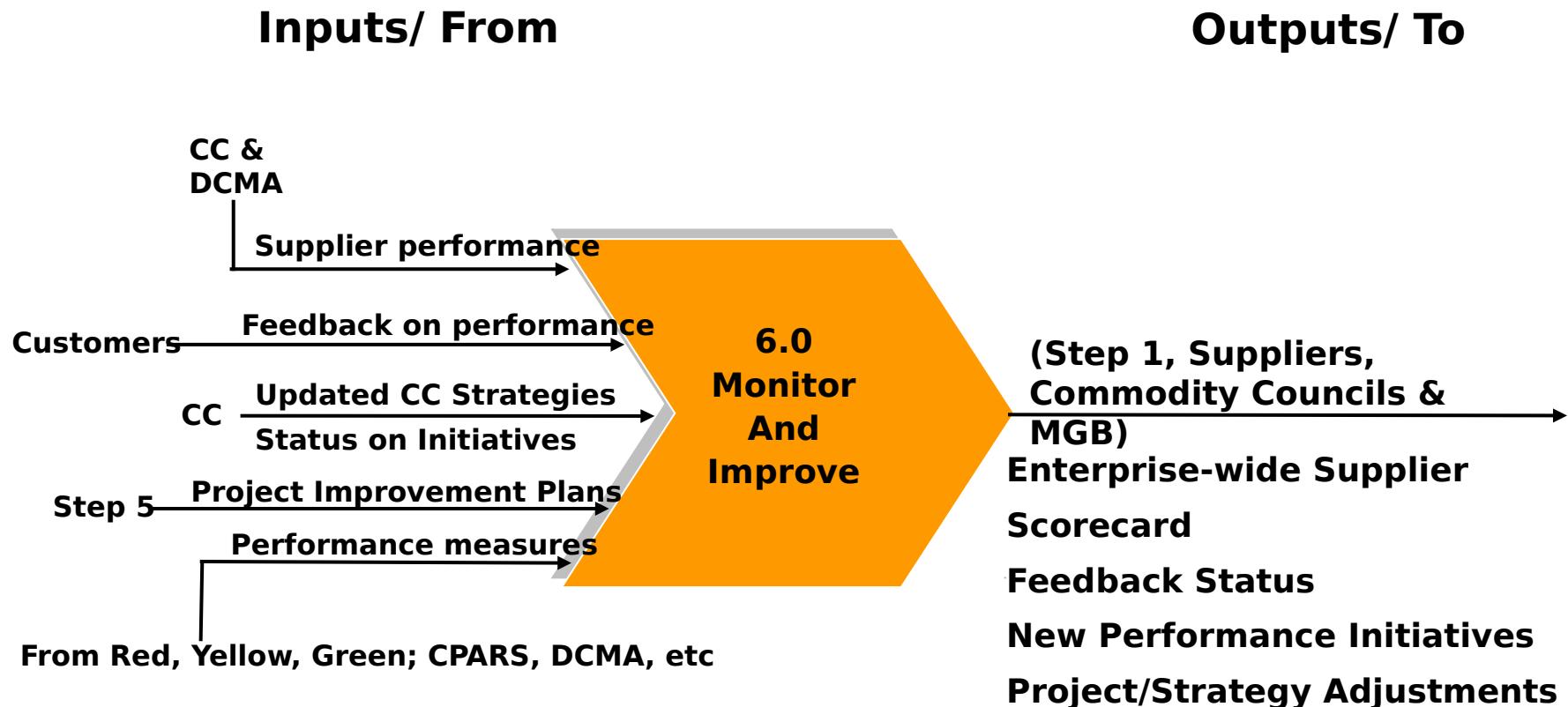
AFMC

- **Serves as feedback loop to measure progress towards goals**
- **Tie measurements toward progress back to PSCM BSC (Balanced Scorecard)**
- **Present progress to MGB and Commodity Councils**
- **Review customer feedback**
- **Review progress with supplier at corporate level**



Step 6: Inputs and Outputs

AFMC





Measures of Success

AFMC

- **Is the supplier making progress towards achieving AF/AFMC goals and objectives?**
 - Increase material availability
 - Reducing total costs
 - Reducing cycle times
- **Is our supplier in alignment with commodity strategies?**
- **Is our supply chain becoming more efficient?**
- **Does the Balanced Scorecard indicate improved performance?**
- **Did our supplier meet their goals & objectives?**



Supplier Score Card: Scorecard Criteria



AFMC

- **Provide a consistent method of measuring supplier's performance**
- **Employ best practice metrics and techniques to ensure effective measurement**
- **Set supplier expectations and goals to drive needed changes in supplier behavior**
- **Be consistent with the goals of the Sustainment Transformation BSC**



Supplier Score Card: Features



AFMC

- **Keep it simple: Limit to 4 to 6 measures**
- **Scorecard should provide enough detail to be actionable**
- **Target audience is supplier's top executives**
- **Current and prior period results indicate performance trends**
- **Visual format - graphs provide performance at a glance**
- **Quarterly review with supplier**
- **Executive summary page with detail pages for each major measure**
- **Standard descriptions for subjective criteria promote rating consistency and a path to continuous improvement**



DLA Supplier Team Balanced Scorecard



AFMC

Supplier Scorecard

Goals	Measures
• Improve Support	Aged Backorders
• Reduce Wait Time	High Frequency NSN Supply Availability
• Reduce Cost	Delinquency Rate
	Production Lead Time
	Product Quality Deficiency Reports

*DSCR



Corporate Supplier Scorecard - Example



AFMC

(Supplier Name)		Quarterly Supplier Scorecard				
Criteria	Formula	Unit of Measure	Road Map to Excellence			
			Unacceptab le	Marginal	Acceptable	Superior
On-time Delivery		%				
PLT		days				
Quality Deficiency Reports		#				
MICAPS		#				
Backorders		#				
Total Cost		\$				
Etc.						

**Notional
Criteria**



AFMC

Back-up Slides



SSRM vs. Commodity Council

AFMC

A SSRM is the primary strategic contact for supply chain activities with a supplier on behalf of all of AFMC and responsible for receiving and communicating an enterprise view.

Responsible For:

- Develop joint business objectives and strategies with supplier (to drive supplier performance improvement)
- Monitor/Review supplier performance at the corporate level
- Conduct supplier intelligence
- Develop and maintaining SSRM best practices
- Interact with commodity councils, MGB & Weapon Systems

Not Responsible For:

- Collecting supplier performance data at a commodity level
- Managing customers, weapon systems or items
- Conducting AFMC-wide spend analysis
- Developing AFMC-wide commodity sourcing strategy
- Executing commodity sourcing strategy
- Conducting Commodity market intelligence
- Performing tactical contract management activities

Commodity Councils develop and execute AF-wide commodity sourcing strategies.

Responsible For:

- Developing AFMC-wide commodity sourcing strategy
- Executing commodity sourcing strategy
- Monitoring supplier performance at a commodity level
- Supplier development and relationship management at commodity level
- Commodity market intelligence

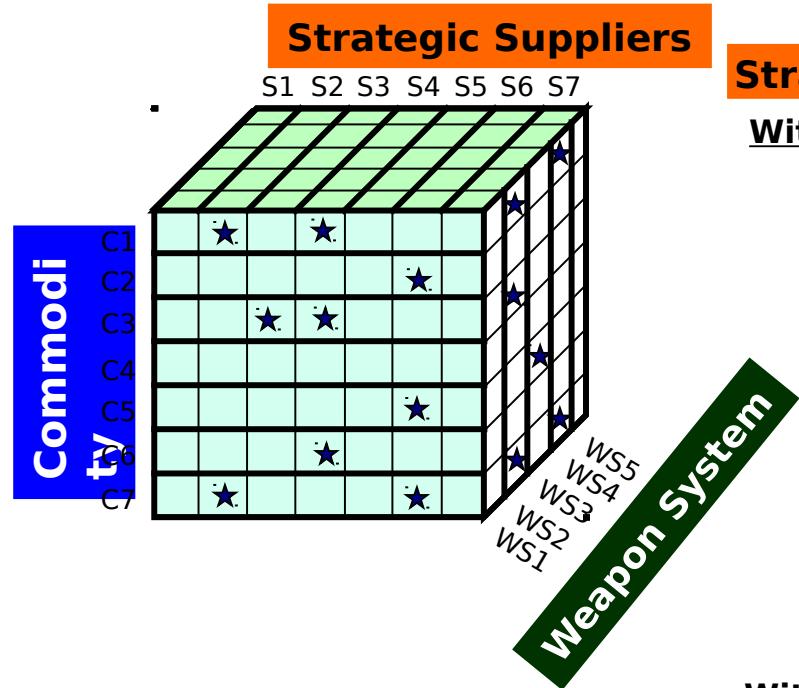
Not Responsible For:

- Developing the demand planning forecast
- Managing customers, weapon systems or items
- Conducting tactical planning, scheduling and asset management
- Performing tactical contract management activities



SSRM Integration

AFMC



Commodity Council Teams

With SSRMs:

- Leverage existing relationships for resolution of issues
- Ensure alignment with Supplier Strategies
- Coordinate efforts to resolve issues that cross commodity councils

Strategic Supplier Relationship Managers

With Commodity Council Teams:

- Support Commodity Council Strategy Development
 - Provide supplier feedback and intelligence during the Commodity Councils discovery phases
 - Supplier objectives/strategies
 - Supplier input/feedback
 - Align commodity strategies to supplier strategies
- Manage Supplier Relations
 - Receive / respond to supplier related issues that cross commodity councils
 - Monitor / Measure Supplier Performance at Enterprise level
 - Share plans on supplier improvement initiatives

With Weapon System Managers:

- Support WS managers in resolution of supplier performance and relationship issues

Weapon System Managers

With SSRMs:

- Work with SSRMs to resolve corporate level supplier relationship issues affecting weapons system availability



SSRM Interaction with MGB

AFMC

- **Contributing member of the Materiel Governance Board (MGB)**
- **Review and approve the Commodity Acquisition Management Plans (CAMPs)**
- **Submit Supplier Strategies/Initiatives for review**
- **Provide supplier feedback and intelligence**
 - Supplier Processes
 - Capabilities & Capacities
 - Mergers & Acquisitions
 - Supplier Performance Issues
- **Report on existing Supplier Strategies and Improvement Initiatives**



DLA Supplier Team Balanced Scorecard



AFMC

Supplier Scorecard

Goals

Definition: the total number of stocked item backorders on hand at month end that have remained unfilled for at least 180 days since their creation (replenishment and numeric stockage objective or NSO type items).

(Lower is better.)

Measures

Aged Backorders

High Frequency NSN Supply Availability

Delinquency Rate

Production Lead Time

Product Quality Deficiency Reports

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DLA Supplier Team Balanced Scorecard



AFMC

Supplier Scorecard

Goals	Measures
• Improve Support	Aged Backorders
Definition: percent of requisitions for high frequency NSNs (items with 50 or more requisitions submitted for them per year) that can be filled when the requisition is received. The formula used to calculate supply availability is: Net stocked demands - backorders established / net stock demands (Higher % is better.)	High Frequency NSN Supply Availability
	Delinquency Rate
	Production Lead Time
	Product Quality Deficiency Reports

*DSCR



DLA Supplier Team Balanced Scorecard



AFMC

Supplier Scorecard

Definition: the number of delinquent contract lines (over 30 days past due) divided by the total number of undelivered (open) contract lines. Thirty days past the contract delivery date stated in the contract are allowed prior to considering a contract line delinquent to account for recording of receipt processing transactions.

(Lower % is better.)

Measures

Aged Backorders

High Frequency NSN Supply Availability

Delinquency Rate

Production Lead Time

Product Quality Deficiency Reports

***DSCR**



DLA Supplier Team Balanced Scorecard



AFMC

Supplier Scorecard

Goals

Definition: the average time for items under contract to be produced and delivered. It is measured from the award date to the date that at least 51% of the largest line item in the contract is received by the Government. Actual three-month moving average PLT is compared against a target of achieving a 5% reduction compared with the prior FY average.

(Lower is better.)

Measures

Aged Backorders

High Frequency NSN Supply Availability

Delinquency Rate

Production Lead Time

Product Quality Deficiency Reports

***DSCR**



DLA Supplier Team Balanced Scorecard



AFMC

Supplier Scorecard

Goals	Measures
• Improve Support	Aged Backorders
Definition: are issued when the customer indicates there is a deficiency with the requisitioned product; i.e., tolerances off, wrong dimensions, color, etc. Within this metric, for the scoreboard we have not-to-exceed targets for the number of PQDRs left unresolved at the end of each month.	High Frequency NSN Supply Availability
	Delinquency Rate
	Production Lead Time
	Product Quality Deficiency Reports

(Lower is better.)***DSCR**